SBOA UPDATE OS 18 15 ASSISTANT DIRECTOR OF AUDIT SERVICES INSBO REGION 1 DIRECTOR OF AUDIT SERVICES RYAN PRESTON M. TYLER MICHAEL, CPA

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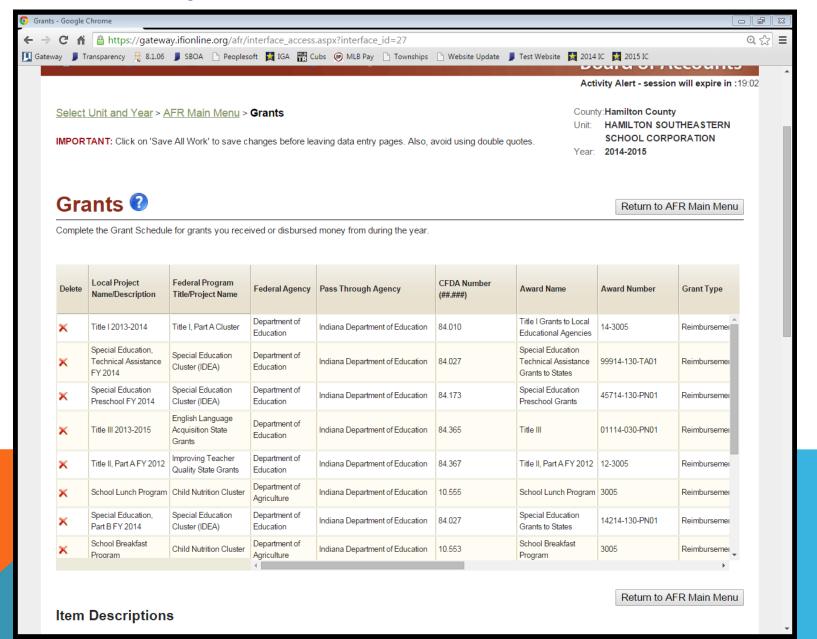
SPECIAL ED COOP

Grant from DOE is with the School, NOT the Co-op

Co-op must supply you with the amount of the grant that applies to your school

You will report that amount on your SEFA (i.e. in Gateway)

FEDERAL GRANT



COMMON FINDINGS & COMMENTS

Section II Findings

Findings in relation to Financial Reporting (Controls &/or Compliance)

Section III Findings

Findings in relation to a specific Federal Grant (Controls &/or Compliance)

Audit Results & Comments

Compliance issues

Indiana Codes

SBOA Manuals/Bulletins/Directives (IC 5-11-1-24)

INTERNAL CONTROL DEFINITIONS

Control Deficiency

Exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis.

Material Weakness

A deficiency, or combination of deficiencies such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Significant Deficiency

A deficiency, or combination of deficiencies that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

§ II – I/C AND COMPLIANCE OVER FINANCIAL REPORTING

If Financial Statements (including SEFA) are materially misstated, then there is a compliance finding. By definition then, there is also a deficiency in controls

Materiality - AUDITING term

Form 13

Financial Statements

Notes to F/S

SEFA

Notes to F/S

§ III – I/C & COMPLIANCE EQUIPMENT

Capital Assets Ledger Track Equipment purchased with Federal Money CAPITAL ASSETS LEDGER FUND **DEPARTMENT OR BUILDING** $\boldsymbol{\varpi}$

§ III – I/C & COMPLIANCE OVER PROCUREMENT

Contract with Food Service Companies

You are still required to comply with all compliance requirements

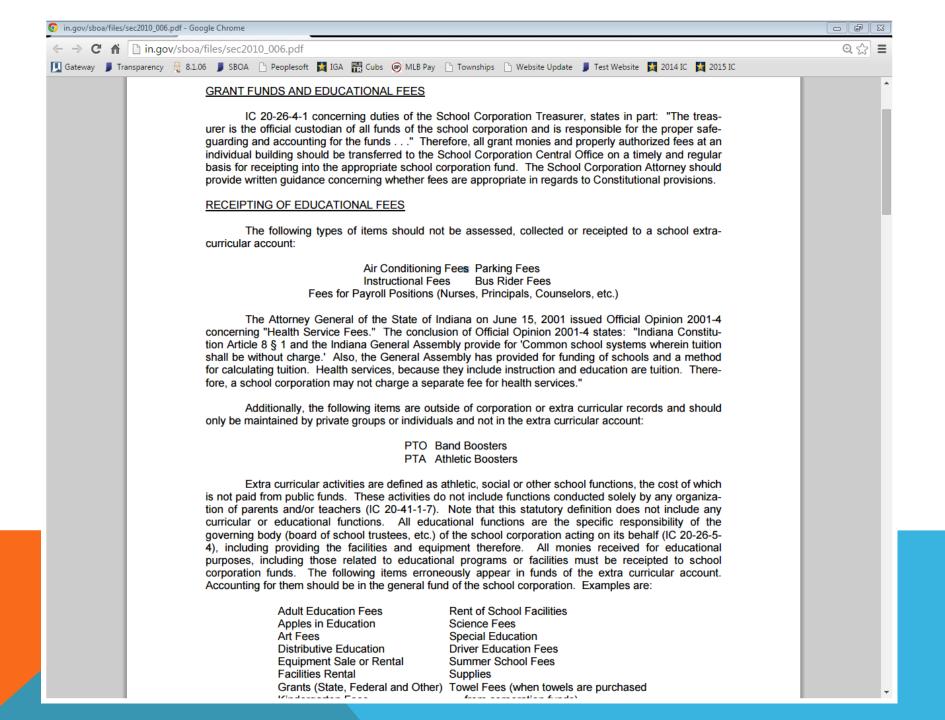
AUDIT RESULTS AND COMMENTS

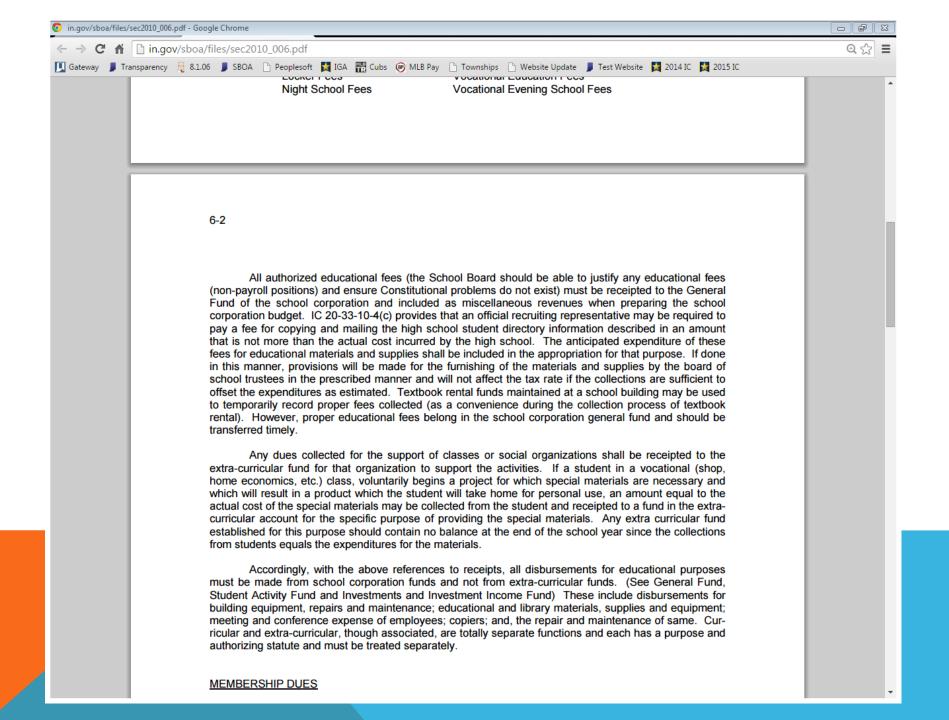
Accounting for Prepaid Lunch Receipts

Clearing Account Number 8400 - Prepaid Food has been established to account for prepaid food. The collections are to be receipted to 8410 with 8420 representing the transfers out of the clearing account and recognition in the appropriate revenue classifications (1611 to 1614 series) in the School Lunch Fund. The transfer should be made periodically and at the end of each month to appropriately classify meals (breakfast, lunch, etc.) when known (charged by student). Subsidiary records by student should be routinely reconciled to the cash balance and at month end.

AUDIT RESULTS AND COMMENTS

Educational Fees





OFFICIAL BONDS

School Treasurers:

"Any individual whose official duties include receiving, processing, depositing, disbursing, or otherwise have access to funds that belong to the school corporation..." must be bonded [IC 20-26-4-5(a)]

Amount determined by School Board

Term = 1 year commencing on July 1

Blanket Bond is OK [IC 20-26-4-5(b)]

Copies must be submitted to SBOA via Gateway with AFR

OFFICIAL BONDS

Extracurricular Treasurer:

Must be bonded if handle funds in excess \$300

Amount determined by superintendent and principal by approximating the total "anticipated funds that will come into possession of the treasurer at any one time during the regular school year." [IC 20-41-1-6(a)]

We recommend term commences July 1

Blanket Bond OK

Must be filed with the trustee or board of school trustee.

Copies must be submitted to SBOA via Gateway with AFR

PUBLIC LAW 181-2015, HEA 1104

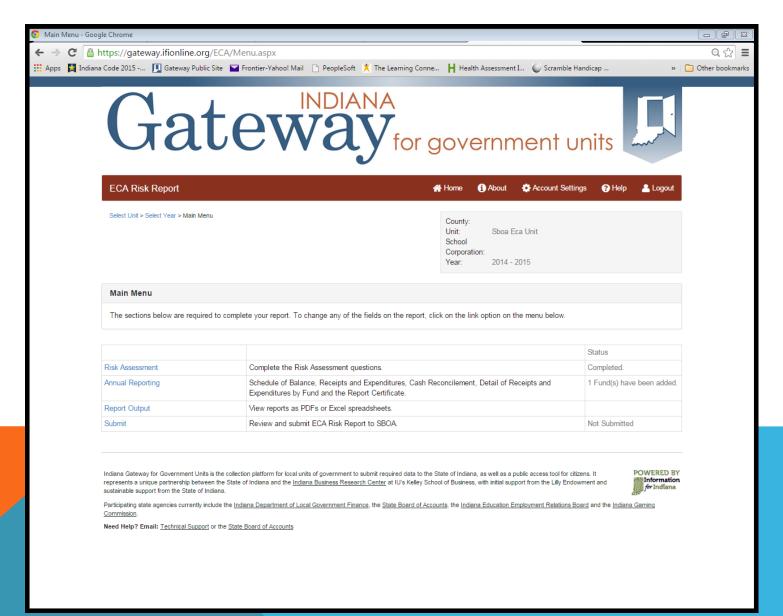
Permits the state board of accounts to determine the frequency with which the state board of accounts conducts financial examinations based on risk based criteria approved by the audit and financial reporting subcommittee of the legislative council. Adds provisions for allowing a public entity to have an examination: (1) conducted outside the time frame provided for by statute or state board of accounts guidelines, due to federal requirements, continuing disclosure requirements, or as a condition of a public bond issuance; or (2) conducted in accordance with generally accepted accounting principles. Provides that the results of an examination of the state board of accounts are confidential until approved and released for publication by the state examiner.

EXAMINATION FREQUENCY

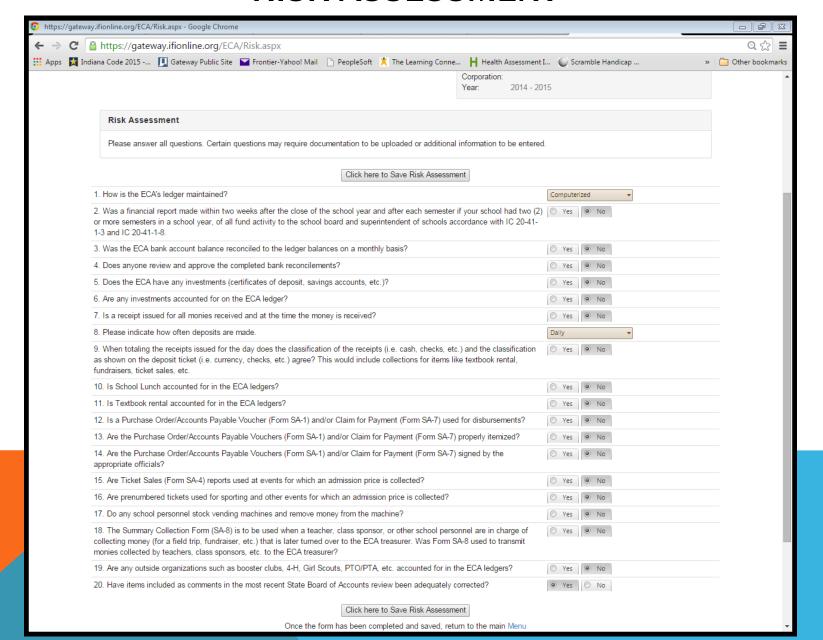
IC 20-41-1-4(a) states in part: "The records and affairs of the extracurricular activities may be examined by the state board of accounts when the state examiner determines an examination is necessary."

IC 5-11-1-24(b) states in part: "... the state board of accounts shall conduct examinations of audited entities at the times determined by the state board of accounts, but not less than once every four (4) years, using risk based examination criteria that are established by the state board of accounts and approved by the audit committee... (d) As permitted under this section ... examinations of school corporations shall be conducted biennially."

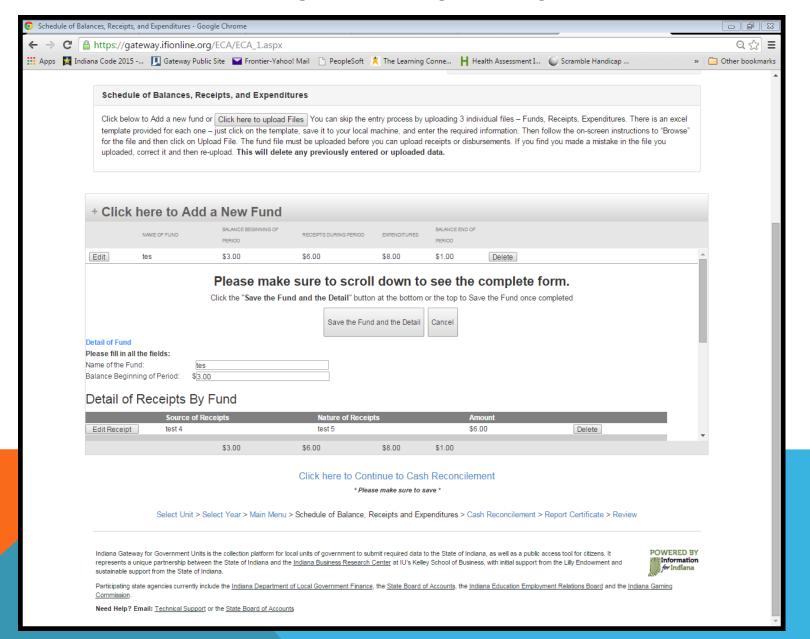
EXTRA-CURRICULAR RISK GATEWAY APPLICATION



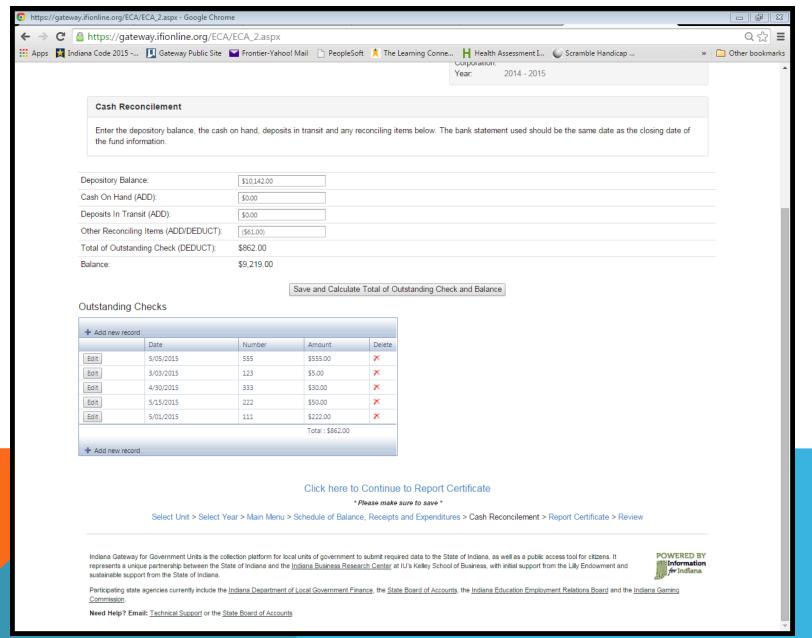
RISK ASSESSMENT



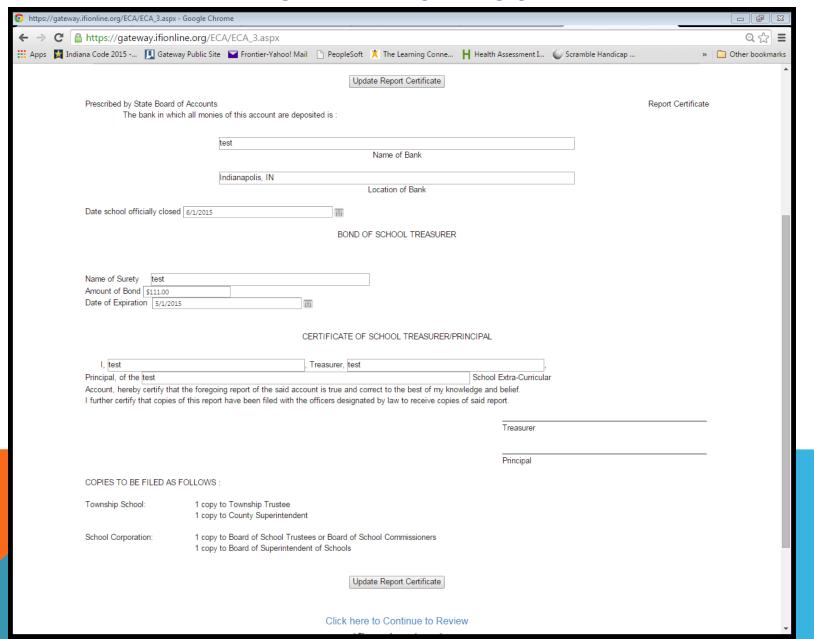
ANNUAL REPORTING



ANNUAL REPORT CONT.



ANNUAL REPORT CONT.



SUBMISSION

"Submission Rights" have been assigned to the fiscal officer because that is who is required to submit the Gateway Annual Report to the State Examiner.

"Edit Rights" can be assigned to whomever the School Corporation wants to assign them. We suggest completing the ECA Delegation of Authority Form (http://www.in.gov/sboa/files/Gateway_ECA_Delegation_Form.pdf). You can complete the form, scan it, and email to gateway@sboa.in.gov.

After inputting information the ECA Treasurer will have the ability to produce and print the required SA-5 via the Report Output section.

PUBLIC LAW 184-2015, HEA 1264

Beginning July 1, 2016, requires the following: (1) The legislative body of a political subdivision to ensure appropriate training of personnel concerning the political subdivision's internal control system. (2) The fiscal officer of a political subdivision to certify annually that certain internal controls and procedures are in place and that personnel have received training in the internal controls and procedures. (3) The state board of accounts (board) to issue a comment in its examination report if internal controls and procedures are not adopted or personnel have not received training. (4) The board to report the uncorrected violations to the department of local government finance (DLGF). (5) The DLGF may not approve the political subdivision's budget or supplemental appropriations if the political subdivision fails to adopt internal controls and procedures or train personnel. (6) Certain reporting and follow up related to a report of misappropriation of political subdivision funds. (7) Board action for material variances, losses, shortages, or thefts. Requires the board to develop or designate personnel training materials not later than November 1, 2015. Effective July 1, 2016, provides for restitution related to attorney general proceedings. Allows the executive or member of the fiscal body of a city, town, or township (unit) to serve as a volunteer firefighter for a volunteer fire department or a fire department that provides fire protection services to the unit. Requires a fiscal body member of a unit who is also a volunteer firefighter for a fire department providing fire protection services to the unit to abstain from voting on the unit's budget and tax levies. Provides that if at least a majority of the members of the unit abstain from voting on the budget, the most recent annual appropriations and annual tax levy are continued for the ensuing budget year. Provides that the executive of the unit may petition the county fiscal body for an increase in the budget or for additional appropriations.

IC 5-11-1-27

- (e) requires the SBOA to define the minimum level of internal control in a Uniform Compliance Guidelines Manual.
- (f) requires the SBOA to develop or designate approved training materials to implement statute.
- (g) requires after June 30, 2016, that all School Corporations shall develop and adopt internal controls, and provide training for all personnel.
- (h) requires after June 30, 2016, that all fiscal officers will have to certify internal controls have been developed and adopted, and that all personnel have received training.
- (i) requires the SBOA to include an Examination Result and Comment in all reports if we find a School Corporation has not developed or adopted internal controls, or if we find training has not been provided to personnel. If during future examinations we find the School Corporation has still not developed, adopted, and trained on internal controls, then the School Corporation has 60 days to correct the problem or the SBOA will be required to report it to the DLGF.

SBOA DEFINED MINIMUM LEVEL OF INTERNAL CONTROLS

Internal controls help entities run their operations efficiently and effectively; help entities report reliable information about their operations; and they help entities comply with applicable laws and regulations.

The SBOA plans to issue the Uniform Guidelines for Internal Control Standards and Procedures that provide a basis of common understanding and establishes minimum expectations to assist governmental units in complying with the requirements of IC 5-11-1-27.

The SBOA guidelines reference the publication put out by the U.S. Government Accoutability Office called "Standards for International Control in the Federal Government" aka Green Book.

More information can be found at www.gao.gov/greenbook/overview.

The basic premise for using the Green Book is that you identify an objective, you design a control, you put the control in place, and you will achieve the objective.

There are five components of internal control that are broken down into 17 separate principles.

LARGE UNITS VS SMALL UNITS

Pg. 18 of US GAO Green Book

The 17 principles apply to both large and small entities. However, smaller entities may have different implementation approaches than larger entities. Smaller entities typically have unique advantages, which can contribute to an effective internal control system. These may include a higher level of involvement by management in operational processes and direct interaction with personnel. Smaller entities may find informal staff meetings effective for communicating quality information, whereas larger entities may need more formal mechanisms—such as written reports, intranet portals, or periodic formal meetings—to communicate with the organization.

A smaller entity, however, faces greater challenges in segregating duties because of its concentration of responsibilities and authorities in the organizational structure. Management, however, can respond to this increased risk through the design of the internal control system, such as by adding additional levels of review for key operational processes, reviewing randomly selected transactions and their supporting documentation, taking periodic asset counts, or checking supervisor reconciliations.

CONTROL ENVIRONMENT

The foundation for an internal control system. It provides the discipline and structure to help an entity to achieve its objectives. It influences how objectives are defined and how control activities are structured. The oversight body and management establish and maintain an environment throughout the entity that sets a positive attitude toward internal control.

- 1. The oversight body and management should demonstrate a commitment to integrity and ethical values.
- 2. The oversight body should oversee the entity's internal control system.
- 3. Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.
- 4. Management should demonstrate a commitment to recruit, develop, and retain competent individuals.
- 5. Management should evaluate performance and hold individuals accountable for their internal control responsibilities.

RISK ASSESSMENT

Assesses the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses. Management assesses the risks the entity faces from both external and internal sources.

- Management should define objectives clearly to enable the identification of risks and define risk tolerances.
- 7. Management should identify, analyze, and respond to risks related to achieving the defined objectives.
- 8. Management should consider the potential for fraud when identifying, analyzing, and responding to risks.
- 9. Management should identify, analyze and respond to significant changes that could impact the internal control system.

CONTROL ACTIVITIES

The actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system.

- 10. Management should design control activities to achieve objectives and respond to risks.
- 11. Management should design the entity's information system and related control activities to achieve objectives and respond to risks.
- 12. Management should implement control activities through policies.

INFORMATION AND COMMUNICATION

The quality information management and personnel communicate and use to support the internal control system.

- 13. Management should use quality information to achieve entity's objectives.
- 14. Management should internally communicate the necessary quality information to achieve the entity's objectives.
- 15. Management should externally communicate the necessary quality information to achieve the entity's objectives.

MONITORING

Activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews.

- 16. Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results.
- 17. Management should remediate identified internal control deficiencies on a timely basis.

DOCUMENTATION OF INTERNAL CONTROL SYSTEM

Pg. 71 of US GAO Green Book

Documentation is a necessary part of an effective internal control system. The level and nature of documentation vary based on the size of the entity and the complexity of the operational processes the entity performs. Documentation is required to demonstrate the design, implementation, and operating effectiveness of an entity's internal control system. The Green Book includes minimum documentation requirements as follows:

- If management determines that a principle is not relevant, management supports that determination with documentation that includes the rationale of how, in the absence of that principle, the associated component could be designed, implemented, and operated effectively.
- Management develops and maintains documentation of its internal control system.
- Management documents in policies the internal control responsibilities of the organization.
- Management evaluates and documents the results of ongoing monitoring and separate evaluations to identify internal control issues.
- Management evaluates and documents internal control issues and determines appropriate corrective actions for internal control deficiencies on a timely basis.
- * Management completes and documents corrective actions to remediate internal control deficiencies on a timely basis.